

City of Mankato

Quarterly Finance Report

2nd Quarter Report – 2018

The quarterly finance report is intended to provide a snapshot of activity for the major operating funds of the city. The fund overviews and performance information provide insight into the purpose, major costs and resources for the disparate funds, and provide context about the cash and fund balances relative to timing of expenditures and anticipated receipt of revenue. It also overviews the significant reporting and cash management activities conducted by the Finance Department. In addition to the quarterly report, a year-to-date quarterly financial statement for all budgeted 2018 funds is attached for reference.

General Fund Overview:

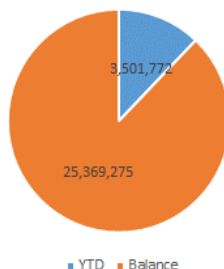
The General Fund is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Almost three quarters of all General Fund revenue comes from two sources; (1) the local property tax levy, representing 47%, and (2) Local Government Aid (LGA), representing 25% of General Fund resources at just over \$20.5 million of the anticipated \$28.87 million in revenue.

Total General Fund budgeted expenditures for 2018 are \$28,869,872. With the functions of the General Fund being heavily reliant on people for delivery of service, personnel expenditures are the largest portion of the fund. In 2018 there are 144 full-time equivalent positions, representing approximately 60% of total General Fund expenditures, or \$16,797,010.

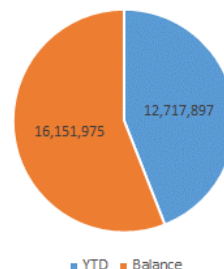
Other expenditures include general government costs, such as the transfer of lodging tax to Visit Mankato for tourism promotion; grants to non-profit organizations; funding for planning and zoning and building inspections; street and park maintenance, and snow plowing; and public safety operational costs including police, fire and emergency management.

Overall General Fund Performance:

General Fund Revenue: Quarter 2
(Budget \$28,871,047)



General Fund Expenditures: Quarter 2
(Budget \$28,869,872)



As of June 30, 2018; the General fund has a net deficit of \$9,216,125. This is to be expected since the city has not received any property tax revenue nor any local government aid as of June 30. Approximately five days after the end of the second quarter, the General fund will receive the first half property tax settlement. The first half property tax is anticipated to be slightly over \$7,000,000. In addition, in the third week of July, we

anticipate receiving another \$3,500,000 in local government aid. The City receives local property tax payments twice annually in July and December and LGA payments twice annually in July and December. Those revenues will be reflected in the 3rd quarter report. Because of the distribution schedule for taxes it is typical that the 2nd quarter financials will result in expenditures in excess of revenue – this underscores the importance of retaining sufficient fund balance in order to cash flow the first half of each year.

At six months or 50% into the fiscal year, General fund revenues of \$3,501,772 received year-to-date represent 12.1% of budget. Year-to-date expenditures of \$12,717,897 represent 44.1% of budget. We anticipate that that upcoming quarter will reflect delayed expenditure overruns due to additional snow plowing labor and snow removal costs that occurred in mid to late March.

The General fund has an estimated unassigned fund balance of -\$378,499 and available cash and investments of \$2,621,501 as of June 30, 2018.

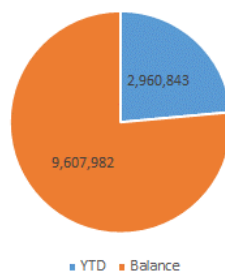
Debt Service Fund Overview

The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. This fund is the source for surface transportation projects, community investment plan (CIP) and special revenue projects. These obligations are structured with 10 year repayment schedules with average debt repayment of approximately \$6 million annually.

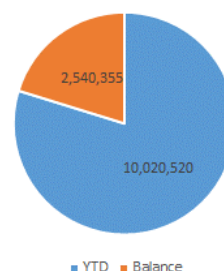
Bonds are repaid by the fees and taxes associated with the service area of the project. As with the General Fund, tax and assessments are received only bi-annually and large bond payments are also due in lump sums several times each year.

Debt Service Fund Performance:

Debt Service Revenues: Quarter 2
(Budget \$12,568,825)



Debt Service Expenditures: Quarter 2
(Budget \$12,560,875)



The Debt Service fund has a net deficit of \$7,241,677 through the second quarter. This is expected due to the fact that the vast majority of debt service payments were due on February 1st. Approximately five days after the end of the quarter, the Debt Service fund will receive \$2,600,000 in property taxes. In addition, the tax settlement will include approximately \$1,700,000 in undistributed assessment collections. Tax settlement revenues in July and December will assist in correcting this deficit. In addition, programmed transfers will reduce the deficit.

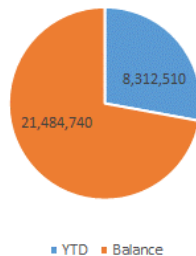
Debt Service revenues of \$2,960,843 represent 23.6% of budget. Expenditures of \$10,020,520 represent 79.8% of budget. The fund balance is a negative \$6,660,904.

Utility Operations Fund Overview:

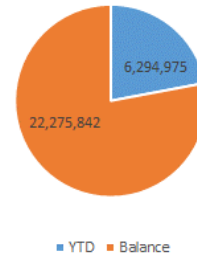
This fund accounts for the administration and oversight of all functions of the Utility Department. The primary revenue source is the fixed cost of service charge for water and wastewater. Expenditures are estimated at \$3.76 million with the primary cost driver being personnel and transfers of received rate payments to related funds for operations.

Overall Utility Operations Fund Performance:

Major Utilities Revenues : Quarter 2
(Budget \$28,937,250)



Major Utilities Expenditures: Quarter 2
(Budget \$28,570,815)



The Utility fund has a net surplus of \$471,620. Revenues are comprised of fixed cost of service streams from monthly utility billings.

Year-to-date revenues of \$1,658,777 represent 36.4% of budget. This percentage is not unusual since we accrued all December consumption earned (but not billed) back into the previous year. Expenditures of \$1,187,157 are 26.9% of budget.

The unassigned fund balance is \$2,734,342 and available cash and investments are \$870,918.

Water Utility Operations Fund Overview:

The Water Operations Fund accounts for costs associated with the water utility, including treatment, maintenance and storage, insuring that user charges are sufficient to pay for related costs of service. The primary revenues are fees for the sale and provision of water. Expenditures are estimated at \$6.7 million with the primary costs related to chemicals, debt service payments, personnel and electricity.

Overall Water Utility Operations Fund Performance:

The Water Operations fund has a net surplus of \$1,008,111 through the second quarter. Revenues are comprised of the consumption streams from monthly utility billings.

Year-to-date revenues of \$3,259,172 represent 37.0% of budget. Expenditures of \$2,251,061 represent 25.6% of budget.

The unassigned fund balance is \$2,315,123 and available cash and investments are \$1,114,460.

Wastewater Treatment Plant Operations Fund Overview:

The Wastewater Treatment Plant Fund accounts for costs associated with the processing of all wastewater treatment including city and customer communities and insures that user charges are sufficient to pay for related costs of service. 2018 Fund expenditures are anticipated at just over \$6.4 million with the primary cost associated with chemicals, electricity, and personnel.

Overall Wastewater Treatment Plant Operations Fund Performance:

The Wastewater Treatment Operations fund has a net deficit of \$1,780,199 through the second quarter. It is important to recognize that the City of Mankato must cash flow all expenditures of the wastewater treatment facility throughout the fiscal year. Revenues are generated by payments from member communities. The majority of these payments are recorded in December as receivables of the fiscal year. Rates and a funding model were recently updated.

Year-to date revenues of \$439,515 represent 6.7% of budget. Expenditures of \$2,219,714 represent 34.2% of budget.

Currently, the unassigned fund balance is -\$2,832,115 and the available cash and investments is a negative -\$2,157,788.

Wastewater Collections Fund Overview:

The Wastewater Collections Fund accounts for costs associated with city of Mankato wastewater customer costs and insures user charges to cover the cost of service. The major revenue within this fund is generated from consumption fees paid by customers. Expenses are anticipated at \$7 million and are primarily related to wastewater treatment plant funding, debt service payments and personnel costs.

Overall Wastewater Collections Fund Performance:

The Wastewater Collection Operations fund has a net surplus of \$2,488,021 through the second quarter. Revenues are generated from wastewater consumption fees collected through the utility billing system. A significant cash outflow will occur in December to cover the City of Mankato share of the Wastewater Plant Operations fee.

Year to date revenues of \$2,955,046 represent 36.8% of budget. Expenditures of \$467,025 represent 6.5% of budget.

The unassigned fund balance is \$3,132,245 and the available cash and investments is \$2,857,542.

Sales Tax Fund Overview:

The sales tax fund accounts for all activity associated with collecting and expending Sales Tax dollars. The anticipated revenues and expenses are approximately \$5.5 million each. Revenue is from sales tax and vehicle taxes collected. The primary expenditures are bond payments, transfers for the four capital replacement accounts (parking, riverfront, airport, civic center), and payment/repayment of authorized capital projects. Expenditures are restricted to purposes in state legislation and by the Sales Tax Policy authorized by Council in anticipation of voter approval and legislative action.

Overall Sales Tax Fund Performance:

The Sales Tax fund had a net deficit of \$1,489,003 through the second quarter. Revenues are generated through collections of the local option sales tax. This fund also records the debt service payments for the Civic Center. These payments occurred in February of this year.

Similar to utility revenues, we accrue sales tax collections that occurred in November and December that were actually received in the current year.

Year-to-date revenues of \$1,728,227 represent 31.4% of budget. Expenditures of \$3,217,230 represent 58.5% of budget.

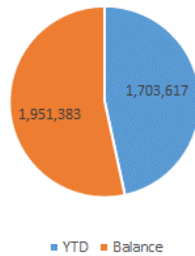
The unassigned fund balance is \$714,594. In addition, there is a reserved fund balance (debt service) of \$1,500,000. The available cash and investments is a negative \$946,616.

Garage Fund Overview:

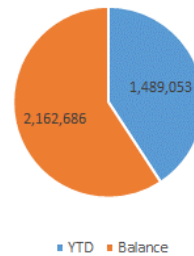
The Garage Fund, a function of public works, purchases and maintains vehicles in the city fleet which are essential to the efficient delivery of city services. The primary source of revenue is cost reimbursement from other city departments across a variety of funds related to service provided, primarily gas and oil, parts and labor necessary for maintenance and operation of the fleet. Expenses are anticipated at \$3.6 million and primarily fund personnel, parts and fuel, and service and maintenance charges.

Overall Garage Fund Performance:

Central Garage Revenues: Quarter 2
(Budget \$3,655,000)



Central Garage Expenditures: Quarter 2
(Budget \$3,651,739)



The Garage fund has a net surplus of \$214,564 through the second quarter. Revenues are derived from per mile charges to city vehicles in various city operations.

Year-to-date revenues of \$1,730,616 represent 46.6% of budget. Expenditures of \$1,489,053 represent 40.8% of budget.

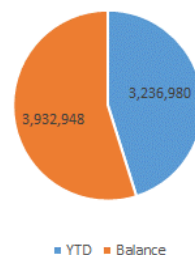
The unassigned fund balance is \$1,516,765. The available cash and investments is \$2,009,767.

Administrative Services Fund Overview:

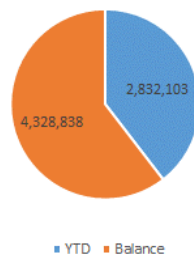
This fund accounts for the cost of providing administrative services to all functions of the City. The services include finance, accounting, data processing, payroll, personnel, purchasing, accounts payable, public information, customer service (311), information technology, human resources, and city management including the city council. The primary source of funding is cost reimbursement from other city departments and agencies that are provided service. The 2018 anticipated expenditures of \$7.1 million fund personnel, and service and other charges as the most significant cost drivers.

Overall Administrative Services Fund Performance:

Administrative Services Revenues: Quarter 2
(Budget \$7,169,928)



Administrative Services Expenditures: Quarter 2
(Budget 7,160,941)



The Administrative Services fund has a net surplus of \$404,877 through June 30. Revenues are primarily derived from a management fee assigned to major funds in the ledger system. In addition, a fee is assessed to contractor payments for projects included in the annual bond issuance. The Administrative Services fund maintains the Pension Liability that we are required to report as part of GASB pronouncements. The amount of this liability is \$2,490,772

Year-to-date revenues of \$13,236,980 represent 45.1% of budget. Expenditures of \$2,832,103 represent 39.5% of budget.

The unassigned fund balance is -\$781,205. The available cash and investments is \$3,677,345.

Equipment Replacement Fund Overview:

This fund provides the necessary resources to replace the City's major equipment and vehicles in a manner to assure the longest useful life for the related service area. The most significant revenue source is cost reimbursed from other departments based on depreciated asset life of the assigned vehicles and equipment and charged on a mileage or hourly rate of use. 2018 expenditures are anticipated at \$3.3 million with primary costs associated with capital outlay to purchase and acquire replacements to the fleet.

Overall Equipment Replacement Fund Performance:

The Equipment Replacement fund has a net deficit of \$191,438 through June 30. Revenues are derived from per mile fees assessed to vehicles and equipment in various city operations.

Year-to-date revenues of \$1,075,641 represent 28.9% of budget. Expenditures of \$1,267,079 represent 38.1% of budget.

The unassigned fund balance is \$15,442,538. The available cash balance is \$9,613,142.

Central Insurance Fund Overview:

This fund accounts for all activities related to the group health insurance plan which is self-insured by the city. The source of funds are costs reimbursed by other departments related to pay premiums associated with personnel allocated to each department across a variety of funds. Costs estimated at \$7.16 million in 2018 are associated with the purchase of insurance and payment of related claims.

Overall Central Insurance Fund Performance:

The Central Insurance fund has a net surplus of \$396,667 through the second quarter. Revenues are derived from a flat rate insurance premium assessed per employee per ORG Code.

Revenues of \$3,339,079 represent 46.7% of budget. Expenditures of \$3,735,746 represent 52.3% of budget.

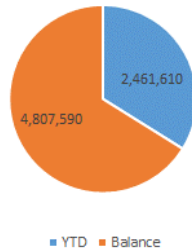
The unassigned fund balance is \$ \$2,161,020. The available cash and investments is \$2,604,083.

Refuse Fund Overview:

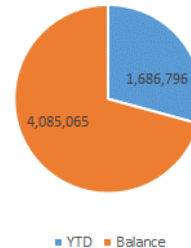
This fund accounts for the cost of refuse collection, recycling collection, and landfill fees. Cost estimates for this service is expected to exceed \$1.9 million for 2018. West Central Sanitation is the refuse hauler for the City of Mankato.

Overall Refuse Fund Performance:

Minor Utilities Revenues: Quarter 2
(Budget \$5,803,552)



Minor Utilities Expenditures: Quarter 2
(Budget \$5,771,682)



The Refuse fund has a net surplus of \$189,211 through the second quarter. Revenues are derived from the monthly utility billing charges. Expenditures reflect the cost of refuse collection, recycling collection, and landfill fees.

Revenues of \$904,698 represent 46.1% of budget. Expenditures of \$715,487 represent 36.4% of budget.

The unassigned fund balance is a negative -\$460,245. The available cash balance is -\$171,512.

Other Finance Related Activity:

Transit Activity:

The City Finance Department has submitted invoicing to Minnesota State University – Mankato (for Spring Semester 2018) transit services. The dollar amount of transit services exceeds \$256,000 in revenue for the fund.